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C O N F I D E N T I A L ANKARA 000131

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TREASURY FOR ROSE, EEB FOR HARBAUGH
ANKARA PASS TO ADANA

E.O. 12958: DECL: 01/23/2023

TAGS: EFIN ECON TU

SUBJECT: EBRD: DONOR TURKEY LUKEWARM ON BECOMING RECIPIENT

Classified By: Deputy Chief of Mission Nancy McEldowney for reasons 1.4
(b) and (d)

¶1. (C) Summary: Turkey, a founding donor to the European Bank for Reconstruction and Development, is considering becoming a recipient of EBRD funds. The EBRD would have to change its mandate for Turkey to receive funds, since the original 1991 mandate was to "nurture a new private sector in a democratic environment . . . for central and eastern Europe and ex-Soviet countries". EBRD Deputy Director Sevki Acuner visited us to lobby for this change, which would help the EBRD continue operations after all recipient countries have graduated and expand its portfolio from a current heavy concentration in Russia. Treasury Under Secretary Ibrahim Canakci said Turkish companies and municipalities would not turn down an expected USD 400 million annual infusion of cash from the EBRD, although he was concerned about the perception of Turkey as a "weak and developing country". He added the GOT supported the change in mandate only if it was made by unanimous decision of the EBRD Board. End summary.

¶2. (C) Sevki Acuner is a Turkish national employed by EBRD as Deputy Director and Portfolio Manager for Agribusiness. He visited us to lobby for a change in Turkey's status from donor country to recipient country. Acuner said the EBRD could offer significant financing with flexible loan or equity terms to Turkish companies and municipalities. We asked him how this funding or equity position would differ from funding now available to Turkish companies. He had no answer, other than that the EBRD could be very flexible in tailoring repayment terms and schedules. We asked him whether the EBRD in 1991 intended to work itself out of existence after it had assisted central and eastern European and ex-Soviet countries to build market economies and promote democracy. He dodged the question, responding that the EBRD sees an opportunity for expanding its work first to Turkey and potentially to other countries in the future. Off the record, Acuner said he could envision expansion of the EBRD mandate to include Lebanon and Morocco as future recipients.

¶3. (C) Ibrahim Canakci, Under Secretary for Treasury, called us in to discuss the possibility of Turkey becoming an EBRD recipient. He said Turkish companies and municipalities always see extra money as a good thing. He mentioned an offer of USD 400 million per year for Turkey. Canakci said the EBRD could lend to small and medium enterprises in Turkey without a Turkish Treasury guarantee, could lend to municipalities, and was experienced in private sector and equity financing. The EBRD also has a track record of helping certain countries accede to the European Union. Note that the EU, via its Instrument for Pre-Accession Assistance,

has budgeted up to Euro 2 billion in IPA grants between 2007 and 2010 for transition assistance, institution building, and similar programs in Turkey. End note.

¶14. (C) On the downside, Canakci mentioned the possibility of Turkey being perceived as a "weak and developing country" if it switched to recipient status. He said Turkish companies and municipalities are competitive in world financial markets and do not have trouble getting funding. He noted the EBRD could offer flexible repayment terms that might be attractive to some companies. Canakci said Turkey does not want to be the tool by which the EBRD extends its life beyond its original purpose. He noted the USG has a 10 percent EBRD share and, historically, the USG has not supported expansion of the EBRD mandate. He said the GOT wanted any decision regarding a change in the mandate to be a unanimous decision of the EBRD board. Canakci also called in the British Embassy separately to discuss the issue.

¶15. (C) Comment: Canakci appeared unenthusiastic about expanding the EBRD mandate to Turkey. He emphasized the GOT does not want to be the tool to keep the EBRD in operation for an unlimited time. In mentioning historic opposition to a change in the EBRD mandate, Canakci seemed to know a unanimous board decision for change was unlikely. End comment.

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